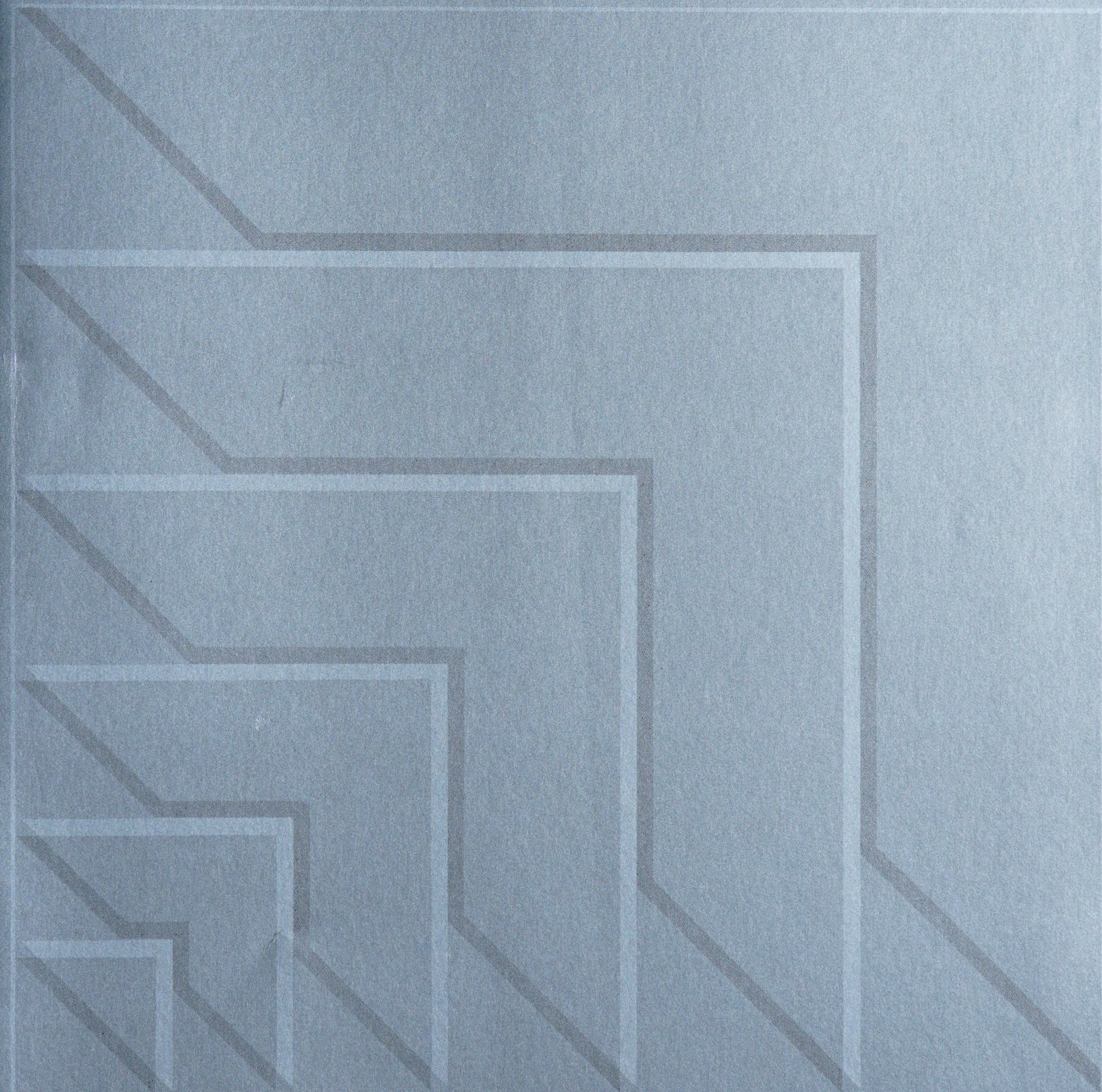


AR79



Officers

Hon. Walter L. Gordon	—Chairman
L. C. Bonnycastle	—Vice Chairman
V. N. Stock	—President
B. H. Rieger	—Vice President
J. Boyd Clarke	—Vice President
J. P. Parker	—Vice President
J. A. McKee	—Vice President, Finance
T. M. H. Hall	—Controller
E. H. Durnan	—Assistant Treasurer
W. H. Irwin	—Technical Director

Board of Directors

L. C. Bonnycastle	—Toronto
J. M. Brunton	—Toronto
J. Boyd Clarke	—Toronto
R. Winfield Ellis	—Chicago
Hon. Walter L. Gordon	—Toronto
A. G. S. Griffin	—Toronto
C. Malim Harding	—Toronto
Hon. Maurice Lamontagne	—Ottawa
J. H. Moore	—London
A. J. MacIntosh, Q.C.	—Toronto
J. P. Parker	—Toronto
B. H. Rieger	—Toronto
Zoltan D. Simo	—Toronto
V. N. Stock	—Toronto

Head Office

Suite 2080 Commerce Court West,
P.O. Box 131,
Commerce Court Postal Station,
Toronto, Canada M5L 1E6

Transfer Agents

National Trust Company, Limited
Toronto and Montreal

The Canadian Bank of Commerce Trust Company
New York

Directors' Report to Shareholders

Our company's income before extraordinary items for 1977 was \$11,834,000 or \$5.34 per share compared with \$11,260,000 or \$5.08 per share in 1976. In 1976, there were extraordinary items of \$346,000 bringing the net income for the year to \$11,606,000 or \$5.24 per share. There were no extraordinary items in 1977.

It should be noted that the increase in income for 1977 was due to a reduction in taxes amounting to 31¢ per share. This was the allowance of 3% of opening inventories designed to relieve corporations to some extent from the effects of inflation. In fact, inflation continued at a high rate. This distorts comparisons of yearly earnings. Nevertheless, considering the sluggish state of the economy, we consider the results for 1977 to have been satisfactory.

Our working capital was increased by \$6,853,000 in 1977 to \$56,182,000 or \$25.37 per share. Our balance sheet position is very strong.

The results of the company's operations for the past five years are shown in the table below:

Year	Sales	Income before extraordinary items	Income per share before extraordinary items
1977	\$286,387,000	\$11,834,000	\$5.34
1976	294,994,000	11,260,000	5.08
1975	268,587,000	12,237,000	5.53
1974	238,070,000	9,331,000	4.21
1973	176,206,000	7,191,000	3.25

A breakdown of the sales and income before extraordinary items by class of business is presented on page 12. It will be seen that the total profits of the electrical and electronics group increased moderately in 1977. The income of one of the companies in this group, Milltronics Limited, improved considerably and the future for that company is encouraging.

The Larkin Lumber Company and its subsidiaries had an excellent recovery from the disappointing results of 1976. The company is examining every opportunity to expand its operations.

The substantial increase in income of the graphics group is due to the improved results at Regal Stationery and Richardson, Bond & Wright. The future prospects for these two companies are bright.

There was a 13½% decrease in the profitability of the metallurgical and chemical group, the decline being due to a loss experienced by Guelph Engineering Company Limited. Dominion Forge Company Limited, on the other hand outperformed our expectations in 1977.

The considerable decrease in income in the products and services group was due in the main to lower profits at IEC-Holden Ltd. and Tender Tootsies Limited. The building of

railway cars has been depressed over the past year and the outlook for 1978 is not promising. However, long-term prospects for the transportation industry appear to be excellent. Tender Tootsies was severely affected by competition from imported shoes. This situation was aggravated by many retailers purchasing large stocks of imported goods in anticipation of the imposition of quotas. These have now been established and there should be a modest correction in the current year. While Jelinek Sports Limited increased its sales, its profit was not up to expectations due to lower margins on skis imported by the company's Frank Mariano division.

Dividends paid in 1977 and on 16 January 1978 were as follows:

	Class A	Class B
14 January 1977	37½¢	(a) 31⅞¢
15 April 1977	37½	(a) 31⅞
15 July 1977	37½	(b)(c) 37½
14 October 1977	37½	(b)(c) 37½
16 January 1978	37½	(b) 37½

(a) From tax-paid undistributed surplus.

(b) From 1971 capital surplus on hand.

(c) This includes 5%¢ not paid until 30 December 1977.

A special dividend of \$8.75 per share has been declared payable on 14 April 1978 from 1971 capital surplus to both Class A and B shareholders. A regular quarterly dividend of 37½¢ per share has also been declared payable on 14 April 1978 from ordinary surplus to both Class A and B shareholders.

It is often said that Canadian businessmen, especially in the manufacturing industries, are not sufficiently imaginative and innovative nor are they enterprising enough in seeking export markets for their products. We do not agree with these generalizations with respect to many companies composing the 40% of Canadian manufacturing that is controlled in Canada. (The other 60% is controlled abroad). Many of the companies controlled in Canada would not be able to survive unless they were inventive, enterprising and creative. Certainly, we at Canadian Corporate Management are satisfied that our operating subsidiaries qualify in these respects.

As we have said on previous occasions, our principles or "philosophy" in managing some twenty individual and unrelated companies are rather simple. Head office executives of broad experience furnish general supervision and support to the senior officer of each operating subsidiary who, in turn, is responsible for and exercises a high degree of autonomy in the day-to-day operations of his company. Objectives have been established for return on assets and return on shareholders' equity. Control reports are developed including annual budgets, rolling forecasts and monthly financial statements. Capital expenditures and acquisitions by subsidiaries must be approved by head office.

Within this broad relationship, the presidents and/or general managers of the subsidiaries are in complete charge of oper-

ations and the detailed planning of expansion programs. They are compensated on the basis of the results of the companies for which they are responsible. This method of management has worked well and is appreciated by all concerned.

We believe that the diversification of our investments in a variety of different industries is a decided source of strength. This policy will be continued as will our practice of giving the management of our various subsidiaries every incentive and encouragement to be imaginative and innovative.

The following examples of accomplishments of some of our subsidiary companies in the last year or so may be of interest in this context:

- The Canadian Chromalox Company, Limited faced increasing competition in 1977 with lower prices and lower profit margins for its products. The demand for baseboard heating has softened as a result of the energy crisis. However, Chromalox has been able to offset these difficulties to a considerable extent by a well-coordinated program to increase its productivity. If our governments decide to promote a greater development of electrical energy in order to offset increasing importations of oil in the future, the prospects for Canadian Chromalox should be improved.
- Milltronics Limited will be manufacturing Sankyo measurement devices including parts presently imported from Japan as well as other components now being imported from the United States.
- York Telecommunications, in a joint venture with Western Radio Services of Vancouver, has commenced the operation of a personal paging system throughout Metro Toronto. In another joint venture with Rantech Electronics, it has begun the design and manufacture of electronic equipment for remote control and data acquisition in power plants, communication systems and oil and gas transmission lines.
- The Larkin Lumber Company Limited in 1977 opened two new outlets in Ontario and one in Quebec, bringing the total to fifty-seven. It is planning to open another three outlets in each of these provinces in 1978.
- Regal Stationery Limited opened three sales catalogue outlets in 1977 bringing the total number to thirteen. The opening of these catalogue outlets in the last few years has resulted in a considerable increase in the company's total sales. It is planning to open three more outlets in Canada and two in the United States in 1978.
- Richardson, Bond & Wright Limited introduced many operating improvements in 1977 which considerably increased its productivity. These improvements also resulted in better quality of printing and considerably better service to customers. The company secured the printing orders for a number of new publications in the course of the year.
- Dominion Forge Company Limited's program for improving its operating efficiencies was continued throughout 1977.

In the last five years, over \$3,000,000 was spent on new capital equipment with the result that Dominion Forge can now compete successfully with any independent forge shop in North America. Because of this, the company has secured a considerable volume of export business in the United States.

- Neo Industries Limited has developed an export business in eleven countries outside North America for repair parts for Morgan no twist high speed rod mills. These parts are manufactured in the company's plant in Hamilton, Ontario.
- In the last five years, Northern Pigment Limited has spent nearly \$2,000,000 on capital equipment. This has enabled it to expand its substantial export business in the United States and the countries in Western and Eastern Europe.
- Jelinek Sports Limited is now manufacturing cross-country skis through Syrovatka Skis Limited at Granby, Quebec, which is fifty percent owned by Jelinek. The expected market for cross-country skis in Canada is substantial.

As previously noted, the over-all results of 1977 amounted to \$5.34 per share, close to the record of \$5.53 per share earned in 1975. These results would have been much less satisfactory if it had not been for the many contributions of the management and technical personnel throughout the organization, some examples of which have been outlined above.

In reviewing the expansion of our operations, we wish to acknowledge the support received from various government agencies. This has been in the areas of research and development, innovative technology, upgrading of employee skills, the purchase of capital equipment, development of exports and energy conservation.

If we can continue to be innovative and to improve the productivity of our various companies, we believe we should be able to continue to prosper despite the economic and other difficulties that Canada is up against. However, these difficulties cannot be minimized:

- At more than 8% of the working force, unemployment is at the highest levels since the great depression of the 1930's. Moreover, the rate is much higher among the younger members of the population. This has serious implications for the future.
- Costs in some of our manufacturing industries are out of line. Unit wage costs in Canada actually exceed those in the United States in some cases despite the fact that productivity is 20% to 25% lower. It follows that many of our industries have ceased to be competitive.
- Inflation has been on the rise again and presently is running at a rate of 9% above last year despite wage, price and profit controls.

- We are incurring huge deficits on current account in our balance of payments. In 1977, the deficit is estimated at about \$4.2 billion.
- We are incurring very substantial deficits in our government accounts. The deficit for the current fiscal year which ends on March 31st may be close to \$9 billion.
- Like other countries, we have our energy problems. Recent discoveries in the West Pembina field in Alberta are encouraging from the point of view of supplies but the cost of energy to the general public and to industry is expected to continue to rise.
- There is the threat that Quebec will separate from the rest of Canada. Until the Quebec question is resolved, there is bound to be uncertainty about the future which will be reflected in lack of confidence and initiative in business circles. Despite this uncertainty we have acquired a 50% interest in a Quebec company manufacturing skis and Lar-kim Lumber is continuing its expansion in that province.
- Finally, and inevitably, conditions in Canada are adversely affected by the difficulties being encountered in many other Western countries. In some cases these are more aggravated than those which confront us here.

Nevertheless, despite the very serious problems facing Canada, we are cautiously hopeful about our company's prospects for the coming year. We intend to continue to pursue an active acquisition policy as good opportunities arise. The payment of the special dividend of \$8.75 per share will reduce our working capital by \$19,376,000. However, we are in a strong position to borrow the necessary funds for acquisition purposes, either by an issue of debentures or on term loans from the banks.

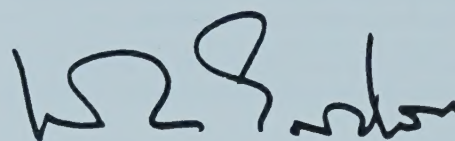
In 1977, still further purchases of our company's shares have been made by Canadian residents. This is shown in the following table which indicates the proportion of our company's shares held in Canada:

	<u>1976</u>	<u>1977</u>
Canadian residents	84.0%	88.4%
Non-residents	16.0%	11.6%
	<u>100.0%</u>	<u>100.0%</u>

Six important appointments to the senior personnel of our subsidiaries were made in 1977. Robert Fraser was appointed President, and W. H. Nord, Vice-President of Operations, of Northern Pigment. R. F. Taylor who was President of Northern Pigment for the last ten years resigned to accept another position. L. D. Drugmand has been appointed Senior Vice-President of Operations at Canadian Chromalox and C. R. Hollaman, General Manager of the Chromalox Air Conditioning Division. R. F. Gilbey, a talented and respected member of the graphic arts industry, has joined Richardson, Bond & Wright as Plant Manager. And D. F. Pearson has been appointed General Manager of Regal Stationery.

We wish to record once again our grateful appreciation of the efforts of the Presidents and General Managers and all the personnel of our various subsidiaries whose efforts and ideas were responsible for our satisfactory results in another difficult year.

Submitted on behalf of the Board of Directors.



Walter L. Gordon, Chairman



V. N. Stock, President

Toronto, Canada
February 28, 1978

Consolidated Statement of Income for the year ended December 31, 1977
(with 1976 figures for comparison) (thousands of dollars except per share data)

	1977	1976
Revenue:		
Sales	\$286,387	294,994
Investment income	740	145
	<u>287,127</u>	<u>295,139</u>
Expenses:		
Cost of sales, selling and administrative expenses	257,415	263,806
Depreciation and amortization	4,769	4,947
Interest (note 4)	3,478	4,516
	<u>265,662</u>	<u>273,269</u>
Income before undernoted items	21,465	21,870
Income taxes	8,617	9,594
Income before minority interest and extraordinary gain	12,848	12,276
Interest of minority shareholders in income of subsidiary companies	1,014	1,016
Income before extraordinary gain	11,834	11,260
Gain on disposal of subsidiaries		346
Net income	<u>\$ 11,834</u>	<u>11,606</u>
Income per share before extraordinary gain	\$ 5.34	5.08
Net income per share	<u>\$ 5.34</u>	<u>5.24</u>

Consolidated Statement of Retained Earnings for the year ended December 31, 1977
(with 1976 figures for comparison) (thousands of dollars)

	1977	1976
Retained earnings at beginning of year	\$ 62,751	54,024
Net income	11,834	11,606
	<u>74,585</u>	<u>65,630</u>
Deduct:		
Dividends	3,254	2,648
Tax paid on undistributed income (note 5)	67	231
	<u>3,321</u>	<u>2,879</u>
Retained earnings at end of year	<u>\$ 71,264</u>	<u>62,751</u>

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet December 31, 1977
 (with 1976 figures for comparison) (thousands of dollars)

ASSETS	1977	1976
Current Assets:		
Cash	\$ 1,121	1,051
Marketable securities at cost (market value \$804)		654
Accounts receivable	42,347	41,354
Inventories (note 2)	58,009	60,528
Prepaid expenses	771	591
Total current assets	102,248	104,178
Property, Plant and Equipment (note 3)	29,417	28,931
Other Assets:		
Non-current receivables and other investments	10,317	12,574
Goodwill	1,200	1,353
Total other assets	11,517	13,927
Approved by the Board:		
Walter L. Gordon, Director		
V. N. Stock, Director		
	\$143,182	147,036

See accompanying notes to consolidated financial statements.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31,

LIABILITIES AND SHAREHOLDERS' EQUITY	1977	1976
Current Liabilities:		
Bank advances, partially secured	\$ 13,148	20,084
Accounts payable and accrued charges	22,882	25,837
Income and other taxes payable	4,646	4,932
Dividends payable	830	763
Current portion of long-term liabilities	4,560	3,233
Total current liabilities	46,066	54,849
Deferred Income	2,047	2,358
Long-term Liabilities (note 4)	12,609	16,035
Deferred Income Taxes	3,075	2,745
Minority Interest in Subsidiary Companies	6,858	7,035
Shareholders' Equity (note 5):		
Capital stock	1,263	1,263
Retained earnings	71,264	62,751
Total shareholders' equity	72,527	64,014
	\$143,182	147,036

1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The figures for 1976, included for comparative purposes, are based on the financial statements of that year which were reported on by other chartered accountants.

Toronto, Canada
February 28, 1978

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1977
 (with 1976 figures for comparison) (thousands of dollars)

	1977	1976
Financial resources provided by:		
Income before minority interest and extraordinary gain	\$12,848	12,276
Add items not requiring an outlay of financial resources:		
Depreciation and amortization	4,616	4,781
Amortization of goodwill	153	166
Deferred income taxes	330	741
Financial resources provided from operations	17,947	17,964
Decrease in non-current receivables and other investments	2,257	2,010
Disposal of property, plant and equipment	707	347
Disposal of subsidiaries		913
	20,911	21,234
Financial resources used for:		
Purchase of property, plant and equipment	5,751	7,039
Decrease in long-term liabilities	3,426	270
Dividends paid by parent company	3,254	2,648
Dividends and other payments to minority interests	1,249	523
Decrease in deferred income	311	159
Tax paid on undistributed income	67	231
	14,058	10,870
Increase in working capital	6,853	10,364
Working capital at beginning of year	49,329	38,965
Working capital at end of year	\$56,182	49,329

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1977

The company is subject to the provisions of the Canada Business Corporations Act. The company is engaged in a broad range of manufacturing, distribution and service activities throughout Canada.

1. Significant Accounting Policies

The accounting principles of the company conform in all material respects with accounting principles generally accepted in Canada. The significant accounting policies are summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and all companies in which 50% or more of the share capital is owned by the company or its subsidiaries. Goodwill on acquisition is amortized over a period not to exceed ten years.

Translation of Foreign Currencies

Foreign currencies are translated to Canadian dollars as follows: income and expenses at exchange rates effective on the transaction dates; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

Inventories

Inventories are stated at the lower of cost and market, with cost being determined on a first-in, first-out basis, the market value of finished goods, work in process and land held for development being net realizable value, and of raw materials being replacement cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases.

Other Investments

Other investments are stated at the lower of cost and estimated realizable value.

Land Sales

The company follows the accounting practice, which is not generally accepted, of deferring profit from land sales proportionate to the related proceeds not yet realized in cash. The effect on current operations of not adhering to the generally accepted practice of recording the entire profit in operations at the time of sale is immaterial.

Comparative Figures

Certain 1976 figures have been reclassified to conform with 1977 presentation.

2. Inventories

(Thousands of Dollars)

	1977	1976
Finished goods	\$31,687	34,489
Work in process	9,490	8,579
Raw materials	13,534	15,319
	<u>54,711</u>	<u>58,387</u>
Land held for development	3,298	2,141
	<u>\$58,009</u>	<u>60,528</u>

3. Property, Plant and Equipment

		(Thousands of Dollars)			
		1977		1976	
	Rates of Depreciation and Amortization	Cost	Net Book Value	Cost	Net Book Value
Buildings	4%—10%	\$19,861	12,161	18,410	11,617
Machinery and equipment	20%—30%	42,978	13,132	40,508	13,403
Leasehold improvements	Term of Lease	1,603	866	1,533	937
		64,442	26,159	60,451	25,957
Land		3,258	3,258	2,974	2,974
		\$67,700	29,417	63,425	28,931

4. Long-term Liabilities

		(Thousands of Dollars)	
		1977	1976
Bank term loans	Interest Rates ¾% to 1½% above bank prime	\$13,251	15,407
Mortgages and other secured liabilities	6% to 9¾%	2,759	2,622
Loans from minority shareholders of subsidiaries	bank prime	717	717
Government of Canada, secured	nil	442	522
		\$17,169	19,268

Approximate principal repayments are as follows:

1978	\$ 4,560
1979	2,371
1980	2,174
1981	2,103
1982	1,376
1983 and later	4,585
	12,609
Total long-term liabilities	\$17,169

Bank term loans of approximately \$10,251,000 are secured by assignment or pledge of assets or shares of subsidiary companies.

Interest on long-term debt was \$1,462,000 in 1977 (1976—\$1,911,000).

5. Shareholders' Equity

	Authorized	Issued and Fully Paid
Class A convertible common shares without par value	4,000,000	961,100
Class B convertible common shares without par value	3,000,000	1,253,292
	7,000,000	2,214,392

Class B shares were so designated in 1971 to facilitate the payment of dividends out of tax-paid undistributed surplus or 1971 capital surplus. The Class A and Class B shares are mutually convertible on a one-for-one basis. During 1977, 74,490 Class A shares were converted into Class B shares and 17,065 Class B shares were converted into Class A shares.

The company is a constrained share corporation under the Canada Business Corporations Act, whereby the total number of voting shares outstanding that may be held by non-residents is restricted to 25% and the number that may be held by any single non-resident is restricted to 10%.

Retained earnings at December 31, 1977 and 1976 include contributed surplus amounting to \$1,017,000.

6. Contingencies and Commitments

The company and its subsidiaries have commitments under long-term lease agreements extending for various periods up to 1997. The current annual rental payments under these leases approximate \$1,440,000.

At December 31, 1977 the unfunded past service costs of employees' pension plans amount to \$3,550,000, actuarially estimated. This amount will be funded and charged to operations over periods up to thirteen years.

The company and its subsidiaries are contingently liable for \$2,150,000 in respect of guarantees.

7. Remuneration of Directors and Senior Officers

The remuneration of directors and senior officers as defined in the Ontario Securities Act amounted to \$774,000 in 1977.

8. Anti-inflation Legislation

The company and its subsidiaries are subject to, and believe they have complied with, the anti-inflation legislation covering profit margins, prices, employee compensation and dividends.

9. Subsequent Event

On February 28, 1978 the directors of the company declared a special dividend of \$8.75 per share, payable to holders of Class A and Class B shares out of 1971 capital surplus. The company intends to finance the dividend payment by utilizing bank borrowings.

Segmented Sales and Income Before Extraordinary Gains by Class of Business

for the year ended December 31, 1977 (with 1976 figures for comparison) (thousands of dollars except per share data)

	1977			1976		
	Sales	Income before extraordinary gain		Sales	Income before extraordinary gain	
		Total	Per Share		Total	Per Share
Electrical and Electronics	\$ 53,453	3,673	1.66	48,458	3,464	1.56
The Canadian Chromalox Company, Limited						
Delhi Industries Limited						
Milltronics Limited						
Thermetic Controls Limited						
Residential Building Supplies	97,023	4,017	1.81	103,641	3,314	1.50
The Larkin Lumber Company Limited and its subsidiary companies						
Graphics	49,248	2,233	1.01	49,696	1,550	.70
Cutler Brands Limited						
Cutler Designs Limited						
Regal Stationery Limited						
Richardson, Bond & Wright Limited						
Metallurgical and Chemical	43,903	2,281	1.03	42,903	2,641	1.19
Dominion Forge Company Limited						
The Guelph Engineering Company Limited						
Neo Industries Limited						
Northern Pigment Limited						
Products and Services	42,760	1,209	.54	50,296	2,152	.97
Arosa Properties Limited						
IEC-Holden Ltd.						
Jelinek Sports Limited						
Tender Tootsies Limited						
Triad Financial Services						
York Telecommunications Limited						
	286,387	13,413	6.05	294,994	13,121	5.92
Less interest of minority shareholders, head office expenses and amortization of goodwill		1,579	.71		1,861	.84
Total	\$286,387	11,834	5.34	294,994	11,260	5.08

Note—

The directors have determined the classes of business in accordance with the Canada Business Corporations Act, based upon the functional and managerial organization of the Company.

Subsidiary Companies and Senior Officers

Electrical and Electronics

The Canadian Chromalox Company, Limited

Toronto, Ontario

Z. D. Simo, President

G. E. Marshall, Vice President Marketing and
General Sales Manager

L. D. Drugmand, Senior Vice President, Operations

Chromalox Air Conditioning Products

Mississauga, Ontario

C. R. Hollaman, General Manager

Glengarry Industries

Cambridge, Ontario

H. J. Langille, General Manager

Heron Cable Industries Limited

Waterloo, Ontario

A. W. Mondoux, General Manager

Hull-Thomson Limited

Windsor, Ontario

D. J. Panton, General Manager

Delhi Industries Limited

Delhi, Ontario

G. K. McClatchie, President

Milltronics Limited

Peterborough, Ontario

A. E. Gillis, Vice President and General Manager

Thermetic Controls Limited

Toronto, Ontario

W. G. Rea, President

Residential Building Supplies

The Larkin Lumber Company Limited

Canada Cashway Lumber Limited

Cashway North Limited

Mississauga, Ontario

J. M. Brunton, Chairman

Burnel Graham Co. Limited

Schomberg, Ontario

T. R. Graham, President

Dorval Builders Supplies Limited

Dorval, Quebec

R. Gariepy, President

Penn Building Centres

Grimsby, Ontario

R. C. Becker, President

Peterborough Lumber Limited

Peterborough, Ontario

J. F. Haldimand, President

Timberline Home Centres Limited

Mississauga, Ontario

Graphics

Cutler Brands Limited

Toronto, Ontario

W. O. Cutler, President

Cutler Designs Limited

Toronto, Ontario

A. Cutler, President

Regal Stationery Limited

Toronto, Ontario

J. P. Parker, President

Richardson, Bond & Wright Limited

Owen Sound, Ontario

R. A. Morrison, President

Metallurgical and Chemical

Dominion Forge Company Limited

Windsor, Ontario

J. P. Halada, President

The Guelph Engineering Company Limited

Guelph, Ontario

J. R. Gauch, Vice President and General Manager

Neo Industries Limited

Hamilton, Ontario

J. P. Jones, Vice President and General Manager

Northern Pigment Limited

Toronto, Ontario

R. Fraser, President

Products and Services

Arosa Properties Limited

Toronto, Ontario

E. C. LaBerge, President

IEC-Holden Ltd.

Montreal, Quebec

R. B. Winsor, President

Jelinek Sports Limited

Oakville, Ontario

F. Mariano, President

O.C.R. Concepts Ltd.

Toronto, Ontario

D. V. Loft, President

Rantech Electronics Limited

Toronto, Ontario

N. C. Reed, Vice President and General Manager

Tender Tootsies Limited

London, Ontario

S. E. Lyons, President

Triad Financial Services

Toronto, Ontario

W. L. Seeley, President

York Telecommunications Limited

Toronto, Ontario

E. S. Cockle, Vice President and General Manager

Ten Year Summary

(thousands of dollars except per share data)

	1977	1976	1975	1974	1973	1972
Operating Statistics						
Sales	\$ 286,387	294,994	268,587	238,070	176,206	137,688
Earnings before income taxes, minority interest and extraordinary items	\$ 21,465	21,870	26,063	19,914	15,314	10,277
Income taxes	\$ 8,617	9,594	12,057	9,391	7,254	5,077
Income before extraordinary items	\$ 11,834	11,260	12,237	9,331	7,191	4,330
—per share	\$ 5.34	5.08	5.53	4.21	3.25	1.96
Net income	\$ 11,834	11,606	12,319	9,415	7,191	4,502
—per share	\$ 5.34	5.24	5.56	4.25	3.25	2.03
Dividends declared	\$ 3,254	2,648	2,448	2,140	1,730	1,332
Dividends paid						
—per A share	\$ 1.50	1.22½	1.20	1.00	.84	.66
—per B share	\$ 1.38¾	1.04⅞	1.02	.85	.714	.561
Other Statistics						
Current assets	\$ 102,248	104,178	97,209	87,515	78,176	58,457
Current liabilities	\$ 46,066	54,849	58,244	53,652	40,881	28,785
Working capital	\$ 56,182	49,329	38,965	33,863	37,295	29,672
—ratio of current assets to current liabilities	2.2 to 1	1.9 to 1	1.7 to 1	1.6 to 1	1.9 to 1	2.0 to 1
—per share	\$ 25.37	22.28	17.60	15.29	16.84	13.40
Property, plant and equipment (net)	\$ 29,417	28,931	27,763	21,656	20,264	15,656
Additions	\$ 5,751	7,039	8,320	6,388	4,799	3,902
Depreciation expense	\$ 4,616	4,781	4,018	3,682	2,810	2,447
Shareholders' equity	\$ 72,527	64,014	55,287	45,625	38,648	35,166
—per share	\$ 32.75	28.91	24.97	20.60	17.45	15.88
Price range of A shares	\$ 28-21	28½-20	23½-16½	26½-15	26¾-19	22½-15

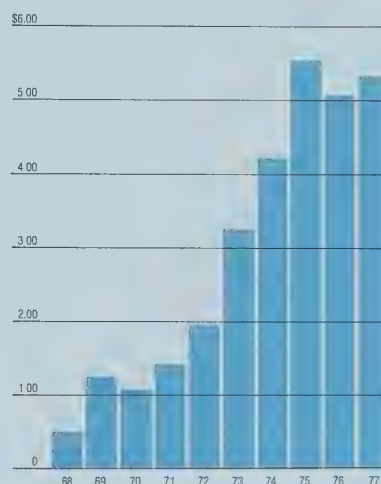
NOTES

1. In 1971, the common shares were designated as A shares and at the same time B shares were created. Class B shares were so designated to facilitate the payment of dividends out of tax-paid undistributed surplus or 1971 capital surplus. Both A and B shares are convertible into the other on a one-for-one basis. Per share figures for 1968 and 1969 have been adjusted to reflect the four for one subdivision of the common shares in 1970.
2. The above figures for 1972 to 1975 have been restated from figures originally reported to reflect consolidation of the accounts of Arosa Properties Limited; this restatement does not change the net income.

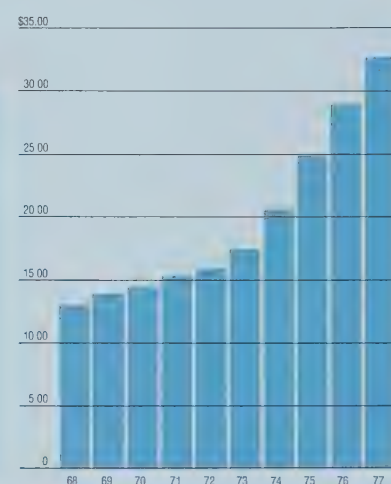
1971	1970	1969	1968
120,616	104,954	101,213	91,846
6,858	5,852	6,283	2,901
3,362	3,160	3,247	1,530
3,054	2,329	2,684	1,098
1.43	1.09	1.25	.51
3,334	2,520	2,812	1,729
1.56	1.18	1.31	.81
1,414	1,199	937	803
.56	.67	.37½	.37½

41,153	37,643	32,112	33,893
18,498	17,287	12,859	15,420
22,655	20,356	19,253	18,473
2.2 to 1	2.2 to 1	2.5 to 1	2.2 to 1
10.58	9.50	8.99	8.63
16,112	14,886	10,859	10,285
3,140	4,743	2,524	1,609
2,106	1,550	1,755	1,720
32,790	31,367	30,046	28,076
15.31	14.64	14.03	13.11
16-10¼	15½-9½	13¾-10¾	15¼-10¼

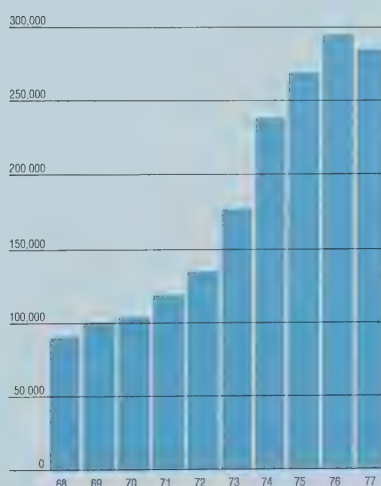
Income per Share before Extraordinary Items



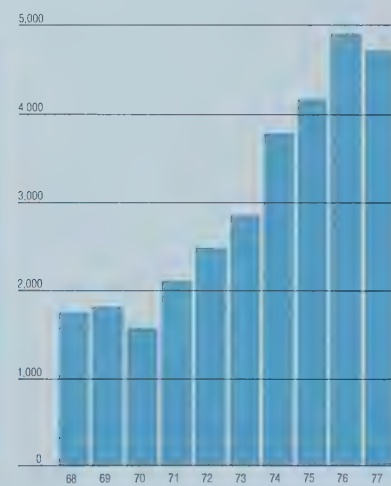
Equity per Share



Sales
(thousands)



Depreciation and Amortization
(thousands)



1977 Results by Quarters

Quarter	Sales	Income before extraordinary items
First	\$ 56,523	801
Second	69,185	2,642
Third	80,237	3,561
Fourth	80,442	4,830
	\$286,387	11,834

Income Per Share
(before extraordinary items)

Quarter	1977	1976	1975	1974	1973
First	\$.36	.73	.74	.92	.39
Second	1.19	.97	.97	1.12	.77
Third	1.61	1.03	1.35	.70	.83
Fourth	2.18	2.35	2.47	1.47	1.26
	\$5.34	5.08	5.53	4.21	3.25

Summary of company operations by class of business

(thousands of dollars)

Electrical and Electronics

Sales and net income for the group

	1977	1976	1975	1974	1973
Sales	\$53,453	\$48,458	\$44,111	\$41,774	\$31,468
Income before extraordinary items	3,673	3,464	4,558	4,215	2,879

The Canadian Chromalox Company, Limited Toronto, Ontario

Chromalox is Canada's leading manufacturer of electrical comfort conditioning equipment such as baseboard heaters, electric recirculation heaters and commercial and industrial convection and forced air heaters. In addition the company manufactures a full range of heating elements for electric ranges, water heaters, dishwashers and small domestic appliances.

Industrial process heating which includes electric hot water and steam boilers and immersion heaters for industry and nuclear purposes is another important product line.

Chromalox Air Conditioning Products Mississauga, Ontario

Under the "Space Command" trade name, this division manufactures through-the-wall unitary and ducted heating and air conditioning units and residential split systems for air conditioning.

Glengarry Industries Cambridge, Ontario

Glengarry Industries supplies Chromalox and other manufacturers with components such as roll formed parts, tubing and stampings. The facility includes the latest equipment for electrostatic painting.

Heron Cable Industries Limited Waterloo, Ontario

Heron Cable manufactures under the trade name "Sentinel" electric heating cable, portable heaters, charcoal and log lighters as well as plant starter kits for the home gardener. The company also has facilities for plastic profile extrusions and injection moulding.

Eastern Wire and Conduits and Taymer Industries, a subsidiary of Heron Cable, manufactures Rayflex aluminum flexible conduit, Hydro-tite liquid tight flexible conduit and Taymer sequential measuring and printing machines used by wire and cable manufacturers.

Hull-Thomson Limited Windsor, Ontario

Hull-Thomson's main business is supplying roll-formed and stamped parts to the North American automotive and appliance industries.

Delhi Industries Limited Delhi, Ontario

Delhi Industries is the only Canadian owned company supplying centrifugal blowers to the forced warm air heating and air conditioning industries. The company is also the largest Canadian manufacturer of gas manifolds for commercial and domestic appliances.

Milltronics Limited Peterborough, Ontario

Milltronics designs and manufactures industrial process control equipment including ultrasonic level and flow measuring systems, impactline solids flowmeters, ore grinding mill control systems, motion detectors and various process sensors.

A new facility in Arlington, Texas was opened in 1977 to better serve U.S. customers.

Thermetic Controls Limited Toronto, Ontario

Thermetic Controls manufactures linear cut-outs, a safety device used in baseboard heaters and other electrical control devices for the electric heating and cooling market.

Residential Building Supplies

Sales and net income for the group

	1977	1976	1975
Sales	\$97,023	\$103,641	\$88,419
Income before extraordinary items	4,017	3,314	5,010

The Larkin Lumber Company Limited Mississauga, Ontario

Larkin Lumber is one of Canada's major retailers of Cash and Carry building supplies. It operates over 50 retail outlets in Ontario and Quebec under the names of **Cashway Lumber, Cashway North, Penn Building Centres, Peterborough Lumber, Burnel Graham, Dorval Builders Supplies, Renovaprix and Timberline Home Centres.**

Peterborough Lumber is also active in cottage and home building as well as land development. This Company operates a mill-work plant supplying a complete line of kitchen cabinets.

Redifit Wood Specialties of Ajax, manufactures a substantial portion of the window and door requirements for the Larkin outlets.

Timberline Home Centres Limited is a joint venture operation with Canadian Tire Corporation.

Graphics

Metallurgical and Ch

Sales and net income for the group

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Group	1976	1975	1974	1973
	\$42,903	\$34,922	\$32,241	\$25,596
	2,641	2,053	2,109	1,676

Neo Industries Limited

Hamilton, Ontario

Neo Industries is primarily a roll manufacturer and producer of specialized machined and hard chrome plated parts for a wide variety of industries. Customers include the steel, rubber, plastic, packaging, mining and aircraft industries and manufacturers of photo copier equipment.

Northern Pigment Limited

Toronto, Ontario

Northern Pigment is a leading producer of synthetic iron oxides. Regular grade oxides are used for pigmentation in the manufacture of paint, rubber, plastics and concrete products. High purity oxides are used in the production of ceramic ferrites for the electronic and telecommunications industries.

Sales and net income for the group

	1977	1976	1975	1974	1973
Sales	\$42,760	\$50,296	\$58,537	\$56,889	\$40,118
Income before extraordinary items	1,209	2,152	1,787	959	558

Arosa Properties Limited

Toronto, Ontario

Arosa Properties is engaged in real estate and land development in the major metropolitan areas of Southern Ontario.

IEC-Holden Ltd.

Montreal, Quebec

IEC-Holden is a leading supplier in Canada of railway specialty products and services to railroad equipment builders and railway maintenance operations.

Pandrol Canada Limited, a joint venture with Elastic Rail Spike Co. Ltd. of England, produces rail clips used as fastenings to concrete ties.

Jelinek Sports Limited

Oakville, Ontario

Jelinek Sports and its Montreal-based Division, **Mariano Sports**, are importers and distributors of racquet sports, inflatables, ski equipment, baseball, hockey and other popular Canadian sports products.

Syrovatka Skis Limited, located in Granby, Quebec is a joint venture with George Syrovatka for the manufacture of cross-country skis, ski poles and bindings.

O.C.R. Concepts Ltd.

Toronto, Ontario

O.C.R. Concepts provides optical character recognition equipment and service bureau facilities for the conversion of source data to a computer compatible medium via the optical character recognition technique.

Rantech Electronics Limited

Toronto, Ontario

Rantech designs and manufactures solid state electronic equipment and systems for telemetry, data acquisition and supervisory control for utilities, pipelines, communication companies and industrial applications.

Tender Tootsies Limited

London, Ontario

Tender Tootsies is one of Canada's leading manufacturers of ladies slippers and shoes. Their marketing program, "Be A Tender Tootsie Lady" has opened a new dimension in stimulating goodwill. Using the most efficient production techniques and creative merchandising methods, the company provides the most popular footwear to Canadian women. "Tender Tootsies," "Woc-A-Mocs," "Lullabies," "So-Softs," and "Pillow Pampers" are a few of their well known trade names.

Triad Financial Services

Toronto, Ontario

Triad is engaged in the financing of equipment through conditional sales contracts and lease documents with emphasis on the machine tool and graphic arts industries.

York Telecommunications Limited

Toronto, Ontario

York Telecommunications sells and leases two-way radio communications systems to transportation companies, security organizations and a host of service companies. The company operates a network of UHF and VHF radio channels and in a joint venture with **Western Radio Services Ltd.**, operates a paging system in Metropolitan Toronto under the name **Air Call Limited**.

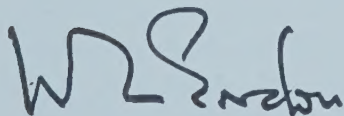
CANADIAN CORPORATE MANAGEMENT
COMPANY LIMITED

Report to the Shareholders

The unaudited consolidated statements covering the company's operations for the first half of 1977 and the corresponding period in 1976 are attached. As shown in the statements, the net income for the second quarter was \$1.19 per share (including 16 cents per share for the sale of miscellaneous investments), this compares with 97 cents per share for the second quarter of 1976.

The net income for the six months amounted to \$1.55 per share compared with \$1.70 per share in 1976.

As the Government's budget proposals of March 31, 1977 have not yet been approved by Parliament, no portion of the proposed reduction in income taxes relating to the 3% deduction for the value of inventories at the beginning of the year has been reflected in the results for the six months.



WALTER L. GORDON, *Chairman*



V. N. STOCK, *President*

Toronto, Canada

July 19, 1977

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

(NOT AUDITED)

(expressed in thousands of dollars)

	QUARTER ENDED JUNE 30		HALF YEAR ENDED JUNE 30	
	1977	1976	1977	1976
Sales - - - - -	<u>\$ 69,185</u>	<u>\$ 72,662</u>	<u>\$125,708</u>	<u>\$131,686</u>
Income for the period from operations before income taxes and interest of minority shareholders - -	4,833	4,631	6,427	7,753
Provision for income taxes - - - -	<u>2,268</u>	<u>2,221</u>	<u>2,981</u>	<u>3,612</u>
	2,565	2,410	3,446	4,141
Gain from the sale of miscellaneous investments less provision for tax thereon - - - - -	<u>350</u>		<u>350</u>	
	2,915	2,410	3,796	4,141
Interest of minority shareholders in income of subsidiary companies - -	<u>273</u>	<u>256</u>	<u>353</u>	<u>375</u>
Net income for the period - - - -	<u>\$ 2,642</u>	<u>\$ 2,154</u>	<u>\$ 3,443</u>	<u>\$ 3,766</u>
Net income per share - - - - -	<u>\$ 1.19</u>	<u>\$.97</u>	<u>\$ 1.55</u>	<u>\$ 1.70</u>

CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (NOT AUDITED)

	HALF YEAR ENDED JUNE 30	
	1977	1976
Financial resources provided by:		
Net income for six months - - - - -	\$ 3,442,749	\$ 3,766,267
Add items not requiring an outlay of financial resources:		
Depreciation and amortization - - - - -	2,319,182	2,477,171
Interest of minority shareholders in income of subsidiary companies - - - - -	353,035	375,083
Funds from operations - - - - -	6,114,966	6,618,521
Disposal of property, plant and equipment - - - - -	335,647	45,653
Decrease in mortgages, other investments and sundry assets - - - - -	1,543,145	507,772
Total - - - - -	7,993,758	7,171,946
Financial resources used for:		
Purchase of property, plant and equipment - - - - -	2,125,002	3,323,423
Dividends paid:		
By parent company - - - - -	1,524,851	1,222,569
By subsidiaries to minority shareholders - - - - -	89,917	87,394
Tax paid on undistributed income - - - - -	136,155	115,087
Increase in non-current finance receivables - - - - -	159,726	564,614
Decrease in long-term liabilities - - - - -	695,838	639,094
Decrease in minority interest in deferred income of a subsidiary - - - - -	135,894	5,957
Purchase of minority interest of a subsidiary company - -	317,227	
Total - - - - -	5,184,610	5,958,138
Increase in working capital - - - - -	2,809,148	1,213,808
Working capital at beginning of the year - - - - -	47,954,575	37,398,740
Working capital at June 30 - - - - -	<u>\$50,763,723</u>	<u>\$38,612,548</u>

**CANADIAN CORPORATE MANAGEMENT
COMPANY LIMITED**

Interim Financial Report

FOR SIX MONTHS ENDED JUNE 30, 1977